May 12: Transportation, Budget, and Capital Bills Resolved. What's Up Next?

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With the budget, capital, and transportation bills all being approved in committees of conference last week, could the legislature finish its work by Memorial Day? Normally, the resolution of these bills is a sign that the session is nearing its close, but work continues on a massive education overhaul in H.480(opens in a new tab), this year's Flood Bill, H.397,(opens in a new tab) and two housing bills. In this ***Weekly Legislative Report,*** we provide you with the details on this year's Transportation bill compromise, the capital budget bill summary, the latest debate on housing, and more.

Transportation Bill Finalized in Committee of Conference

Late Friday afternoon the House and Senate finalized the FY 26 transportation bill(opens in a new tab), compromising on several items each chamber put forward throughout the session. The very last item resolved by the conference members(opens in a new tab) was language that would clarify the exclusive authority of **municipalities to regulate both the use and the maintenance of legal trails**. As we have reported throughout the session (opens in a new tab), a legal challenge to the Town of Tunbridge (opens in a new tab)could jeopardize public access to hundreds of miles of legal trails (opens in a new tab) that abut or cross private land. The Senate had added and approved language that would have resolved this issue. The House Transportation Conference Committee Chair Rep. Matthew Walker(opens in a new tab) and Vice Chair Rep. Timothy Corcoran(opens in a new tab) were not ready to support the Senate language and asked for that section to be removed.

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But all hope is not lost for the nearly 90 municipalities hosting almost 550 miles of legal trials: this issue could still be settled in this legislative session. The House Transportation Conference Committee agreed to take testimony from trail advocates, users, municipalities, and VLCT next week(opens in a new tab). If convinced, they will add the legal trail language to S.123, the Miscellaneous Department of Motor Vehicles bill(opens in a new tab), which is still in their possession. **If you support public access to legal trails**(opens in a new tab)**, please reach out to members of the House Committee on Transportation**(opens in a new tab) **and let them know you support the municipal authority to regulate and maintain legal trails**.

As we reported a few weeks ago,(opens in a new tab) the transportation bill contains a mixed bag of support for municipal town highway funding and programs. Transportation Fund revenues are down, and projects cost more than ever. Here is a short rundown of what's in the 44-page transportation bill (opens in a new tab):

- **New Park & Ride funding –** $2.4 million for projects in Manchester and Sharon.

- **Bike and Pedestrian Program funding –** $22 million, which will fund 33 bike and pedestrian projects and also design, scope, or study 27 more in Arlington, Bakersfield, Bennington, Bethel, Brattleboro, Bristol, Burke, Burlington, Castleton, Chester, Danville, Enosburg Falls, Fairfax, Greensboro, Hardwick, Hartford, Highgate, Hinesburg, Huntington, Hyde Park, Irasburg, Jericho, Lyndonville, Middlebury, Montpelier, Moretown, Newfane, Newport City, Northfield, Pawlet, Randolph, Royalton, Rutland City, Rutland Town, Sheffield, Shelburne, Sheldon, South Burlington,

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Springfield, St. Albans City, St. Albans Town, Swanton, Wallingford, Waterbury, West Rutland, Williston, Wilmington, and Windsor.

- **Transportation Alternatives Program funding –** $6.5 million for 17 transportation alternatives construction projects; 26 transportation alternatives design, right-of-way, or design and right-of-way projects; and eight scoping studies. Projects are funded in Athens, Barre City, Bennington, Brandon, Brattleboro, Bridgewater, Bristol, Burke, Burlington, Castleton, Derby, Enosburg Falls, Fairfax, Fairlee, Ferrisburgh, Grafton, Guilford, Hartford, Hinesburg, Hyde Park, Jericho, Londonderry, Lyndon, Montgomery, Newark, Proctor, Rockingham, Rutland City, Shoreham, South Burlington, Springfield, St. Albans Town, Swanton, Tinmouth, Warren, Williston, and Wilmington.

- **Public Transit Program funding –** $53 million for public transit uses throughout the state and makes changes to Green Mountain Transit Authority's service areas outside the urbanized area of Chittenden County.

- **Rail Program funding –** $62 million, including local funds and $32 million in federal funds, for intercity passenger rail service, including funding for the Ethan Allen Express and Vermonter Amtrak services, and rail infrastructure that supports freight rail.

- **Town Highway Aid appropriations:**

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- Include a new requirement beginning with State fiscal year 2027 (FY27) that Town Highway Aid appropriations shall increase over the previous fiscal year's appropriation by the same percentage change as Vtrans total appropriations funded by the Transportation Fund or shall remain at the previous fiscal year's appropriation in the event appropriations decrease. (This should prevent Town Highway Aid funding decreases like this year, but makes shoring up the Transportation Fund even more critical)

- Town Highway Bridges: $37.8 million

- Town Highway Structures: $7.2 million

- Town Highway Class 2 Roads: $8.6 million

- Town Highway Aid: $30.4 million

- Town Highway Class 1 Supplemental: $128,750

- Town Highway Vermont Local Roads: $481,452

- Municipal Mitigation Assistance : $6.9 million

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- Town Highway Federal Disasters: $4 million

- Town Non-Federal Disasters: $1.15 million (appropriated from the PILOT Special Fund, not Transportation Fund)

- Directs the Agency of Transportation, in consultation with the Vermont League of Cities and Towns and the Vermont Association of Planning and Development Agencies, to evaluate the state's Town Highway Aid and municipal grant programs administered by the Agency and identify potential efficiencies and improvements related to administration.

- Directs Vtrans to design a mileage-based user fee for electric vehicles and summarize the impacts on the FY26 Transportation Program caused by changes in State Transportation Fund revenues and delays or reductions in federal funding.

- Authorizes the Secretary of Transportation to enter into an agreement with the Town of St. Albans to relinquish a segment of the state highway in the Town of St. Albans known as Vermont Route 36.

- Established new provisions for the use and maintenance of "Rail Trails" by Vtrans, sponsors, and municipalities.

The Capital Bill Ready for Final Vote on Tuesday

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The capital budget bill, H.494(opens in a new tab), is a biennial budget for state spending on capital or construction projects that have a lifespan of 20 years or more. Projects include state buildings, renovations, infrastructure, and other investments in state assets such as state parks and historic sites. The state typically funds these appropriations by issuing general obligations bonds. Highlights of this year's $107 million capital bill include:

State Buildings

For FY 2026

- Statewide, major maintenance: $6,493,401
- Statewide, three-acre parcel stormwater compliance: $1,500,000
- Statewide, Art in State Buildings program: $75,000
- Rutland, Asa Bloomer Building roof repair and sewage system upgrades: $1,500,000
- Rutland, multimodal garage renovation: $600,000
- Middlesex, Print and Postal uninterruptable power supply upgrade: $58,279

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- Waterbury, State Office Complex historic core roof replacement: $2,000,000

- Burlington, 32 Cherry Street parking garage repairs: $1,500,000

For FY 2027

- Statewide, major maintenance: $8,500,000

- Statewide, planning, reuse, and contingency: $250,000

- Statewide, physical security enhancements: $250,000

- Statewide, three-acre parcel stormwater compliance: $1,100,000

- Statewide, Art in State Buildings Program: $75,000

- Pittsford, Police Academy firing range upgrades: $200,000

- Montpelier, State House replacement of historic interior finishes: $50,000

- Montpelier, 120 State Street HVAC – steam lines interior renovation: $2,000,00

- Middlesex, Vermont State Archives roof replacement: $1,000,000

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- Waterbury, State Office Complex historic core roof replacement: $2,000,000

- Burlington, 32 Cherry Street parking garage repairs: $500,000

Agency of Human Services (correctional facilities):

For FY 2026:

- Statewide, planning, design, and construction for HVAC system upgrades at correctional facilities: $4,000,000

- Statewide, accessibility upgrades at correctional facilities: $2,000,000

- Statewide, correctional facility safety and security upgrades: $225,000

- St. Johnsbury, Northeast Correctional Complex (NECC) door control system replacements: $1,000,000

- St. Albans, Northwest State Regional Correctional Facility (NWSCF) roof replacement: $1,000,000

For FY 2027:

- Statewide, planning, design, and construction for HVAC system upgrades at correctional facilities: $1,000,000

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- Statewide, correctional facility safety and security upgrades: $200,000
- Rutland, Marble Valley Regional Correctional Facility (MVRCF) door control system replacements: $500,000
- St. Johnsbury, Northeast Correctional Complex (NECC) door control system replacements: $2,600,000
- Newport, Northern State Correctional Facility (NSCF) sprinkler system upgrades: $500,000

State Historic

For FY 2026

- Major maintenance at statewide historic sites: $550,000
- Vermont Underwater Historic Preserves: $46,000
- Roadside historic site markers: $25,000
- Bennington, Battle Monument, maintenance of safety fencing, restoration, planning, and design: $425,000

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Grant Programs

For FY 2026

- Historic Preservation Grant Program: $300,000
- Historic Barns Preservation Grant Program: $300,000
- Cultural Facilities Grant Program: $300,000
- Recreational Facilities Grant Program: $300,000
- Human and Educational Facilities Competitive Grant Program: $300,000
- Regional Economic Development Grant Program: $300,000

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- Agricultural Fairs and Field Days Capital Projects Competitive Grant Program: $300,000
- Vermont Veterans Home: $1,050,00
- University of Vermont: $1,500,000 for construction, renovations, and major maintenance.
- Vermont State Colleges: Statewide, construction, renovations, and major maintenance: $1,500,000 and $1,500,000 to Johnson for central heating plant replacement

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- Historic Barns Preservation Grant Program: $300,000
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- University of Vermont: $1,500,000 for construction, renovations, and major maintenance

- Vermont State Colleges for statewide, construction, renovations, and major maintenance: $1,500,000 and $3,500,000 to Johnson for central heating plant replacement

Natural Resources

For FY 2026

- Department of Environmental Conservation for dam safety and hydrology projects: $500,000

- Department of Forests, Parks and Recreation for infrastructure and rehabilitation, improvement, and three-acre rule compliance: $3,500,000

- Public lands infrastructure: $700,000

- Department of Fish and Wildlife for major maintenance and infrastructure projects: $1,105,000

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For FY 2027

- Department of Environmental Conservation for Drinking Water State Revolving Fund: $590,000
- Dam safety and hydrology projects: $500,000
- Department of Forests, Parks and Recreation Park infrastructure and rehabilitation, improvement, and three-acre rule compliance: $2,500,000
- Public lands access infrastructure: $700,000
- Department of Fish and Wildlife for major maintenance and infrastructure projects:$1,029,360

Clean Water Initiatives for FY 2026

- Agency of Agriculture, Food and Markets for water quality grants and contracts: $3,000,000
- Department of Environmental Conservation for municipal pollution control grants: $4,000,000
- Department of Forests, Parks and Recreation for water quality improvements to forest access roads: $200,000

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- Housing and Conservation Board for agricultural water quality projects: $800,000 and Land conservation and water quality projects: $2,000,000

- Department of Environmental Conservation for clean water implementation projects: $10,000,000

Military FY 2026 and FY 2027 aid totals $3,926,338 maintenance and ADA compliance at facilities throughout the state.

Agriculture, Food and Markets FY 2026 and FY 2027 aid totals $6,500,000 for repairs and renovations at the Vermont Building located at the Eastern States Exposition in Springfield Massachusetts.

Public Safety FY 2026 and FY 2027 aid totals $3,795,000 at public safety buildings in Shaftsbury and Rutland. Judiciary aid totals $5,075,910 for upgrades to courthouses in Woodstock, Essex County, and Lamoille County.

Vermont Historical Society FY 2026 aid totals $700,000 to mitigate water infiltration at their building in Barre.

Vermont Rural Fire Protection Task Force FY 2026 and FY 2027 aid totals $250,000.

Budget Agreement in House and Senate, but Concerns Over Federal Funding Loom

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The FY26 Appropriations bill, H.493(opens in a new tab), ("the Big Bill") is ready for approval in both chambers this week. The Committee of Conference reached an agreement and finished up their work last week, but many questions remain on the federal funding assumptions made in the bill. The Vermont Emergency Board(opens in a new tab) will be carefully watching state and federal revenues and may need to adjust revenue forecasts assumed in the FY2026 budget build. We will provide you with a detailed breakdown of what's in and what's out of the $9 billion state budget next week.

CHIP Experiences Headwinds Despite Smooth Sailing through the Senate and Most House Committees

Last week the House Committee on Ways and Means(opens in a new tab) heard testimony from dozens of witnesses, most of them enthusiastically supporting CHIP(opens in a new tab), the Community Housing Infrastructure Program we have reported on all session(opens in a new tab). VLCT(opens in a new tab) and St. Albans City Manager Dominic Cloud offered compelling testimony supporting CHIP(opens in a new tab). Dom asserted (at 51 minutes in) that "TIF is the closest thing to a silver bullet that you have for addressing the housing problem, and CHIP is even better." Unfortunately, the state Auditor has been very critical of CHIP, repeating his widely known concerns related to TIF, even saying in testimony (at 1hr:15sec in) "housing created with CHIP would be lost just like fairy dust(opens in a new tab)."

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The Ways and Means Committee Chair offered an amendment(opens in a new tab) to S.127(opens in a new tab) late on Friday that dramatically diminishes the ability of many municipalities and housing developers to use this game-changing program.

The House Ways and Means CHIP Amendment would:

- **Require the municipality to ensure** that any housing unit within the housing development be offered **exclusively as a bona fide domicile in perpetuity.**

- **Raise** affordable housing requirements to "**perpetual affordable housing**" for at least 20% of the units.

- **Remove** utilities, power, and telecom infrastructure as eligible for CHIP funding.

- **Add** a "But For" to only support homes that wouldn't be built but for public infrastructure funding. The new CHIP Board (**which removed VLCT as a member**) will determine whether a project meets the "but for" standard.

- **Cap** total CHIP authorization at $14 million of education tax increment.

- **Require that to qualify** at least 65% of the project floor area must be for housing.

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- **Prevent Tier 2 areas from being eligible until 2028**

The Committee will resume discussion on Tuesday, finalize its version, and vote. We will continue working to support a program that works for all municipalities and builds the housing we desperately need.

What's Up Next

Open Meeting Law reform work in S.59(opens in a new tab) continues in the House Committee on Government Operations(opens in a new tab). The committee took testimony from several municipalities experiencing Open Meeting Law and Public Records Request challenges. The Committee looks to wrap up its good work on S.59 in the next week or two.

The Senate Committee on Government Operations(opens in a new tab) continues discussion of **the election bill**, H.474(opens in a new tab), this week.

The flood bill, H.397(opens in a new tab), remains in Senate Government Operations. Last week VLCT members John Potter, Brattleboro Town Manager, and Scott Murphy, Manchester Town Manager(opens in a new tab) testified in support of changing the 1% Local Option Tax formula and returning at least 80% to municipalities.

Something to Watch: Mapping of the New Act 250 Jurisdiction Tiers

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Act 181 of last year created new location-based Act 250 jurisdiction criteria.

- Tier 1 areas, once mapped and approved, will receive some level of Act 250 exemption or increased building thresholds before Act 250 permitting is triggered.
- Tier 2 areas are essentially the status quo for Act 250 triggers.
- Tier 3 areas will be newly mapped areas, containing critical natural resources that will receive increased protection and Act 250 jurisdiction.

The Land Use Review Board will be taking public input. **We encourage municipalities to participate** in these public engagement meetings:

- May 22, 6 PM to 8 PM: Introduction to Tier 3 and public input on resource areas to consider. Hybrid meeting.
- July 24, 6 PM to 8 PM: Comments and reactions to draft rules for Tier 3.

Go to the LURB website(opens in a new tab) to access meeting information, learn more, and see maps with layers showing potential Tier 3 areas.(opens in a new tab)

Take Action

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Normally at this point in the session we have just a week or two left. With the money bills almost finished, what could hold things up? This year's housing, flood recovery, and education bills represent significant policy reforms and political debates. Resolving these issues will likely take us through May. We will stay engaged and report on the progress.

Stay up to date on the status of VLCT's priorities by reading our weekly legislative reports and testimonies. We will schedule a series of advocacy chats to wrap up the legislative session once the timing becomes more clear.

As always, please take action by contacting your local representatives(opens in a new tab) and sharing how critical bills will help your community.

Stay up to date on VLCT's ongoing advocacy work:

- You can find (and share) this legislative report and future reports and alerts on our main Advocacy webpage(opens in a new tab).
- To support VLCT's advocacy work; participate in policy development, testimony, and legislative actions; or just learn more, reach out to Josh and Samantha by email at jhanford@vlct.org(opens in a new tab) and ssheehan@vlct.org(opens in a new tab).

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